

Manner of distribution of credit by Input Service Distributor

20.^[1] Manner of distribution of credit by Input Service Distributor^[2]

(1) The Input Service Distributor shall distribute the credit of central tax as central tax or integrated tax and integrated tax as integrated tax or central tax, by way of issue of a document containing the amount of input tax credit being distributed in such manner as may be prescribed^[3].

(2) The Input Service Distributor may distribute the credit subject to the following conditions, namely:—

a. the credit can be distributed to the recipients of credit against a document containing such details as may be prescribed^[4];

b. the amount of the credit distributed shall not exceed the amount of credit available for distribution;

c. the credit of tax paid on input services attributable to a recipient of credit shall be distributed only to that recipient;

d. the credit of tax paid on input services attributable to more than one recipient of credit shall be distributed amongst such recipients to whom the input service is attributable and such distribution shall be pro rata on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all such recipients to whom such input service is attributable and which are operational in the current year, during the said relevant period;

e. the credit of tax paid on input services attributable to all recipients of credit shall be distributed amongst such recipients and such distribution shall be pro rata on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all recipients and which are operational in the current year, during the said relevant period.

Explanation.—For the purposes of this section,—

a. the “relevant period” shall be—

i. if the recipients of credit have turnover in their States or Union territories in the financial year preceding the year during which credit is to be distributed, the said financial year; or

ii. if some or all recipients of the credit do not have any turnover in their States or Union territories in the financial year preceding the year during which the credit is to be distributed, the last quarter for which details of such turnover of all the recipients are available, previous to the month during which credit is to be distributed;

b. the expression “recipient of credit” means the supplier of goods or services or both having the same Permanent Account Number as that of the Input Service Distributor;

c. the term ‘turnover’, in relation to any registered person engaged in the supply of taxable goods as well as goods not taxable under this Act, means the value of turnover, reduced by the amount of any duty or tax levied under [entries 84 and 92A]^[5] of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule^[6].

^[1] Enforced with effect from 1.7.2017.

^[2] Refer Cir. No. 71/2018- GST, dt. 26.10.2018.

^[3] Refer rule 39 of the CGST Rules, 2017.

^[4] Refer rule 54 of the CGST Rules, 2017.

[5]

Substituted for the phrase “entry 84” vide CGST Amendment Act, 2018 with effect from 01.02.2019 vide CGST Not. No. 02/2019 dt. 29.01.2019.

[6]

For text of 7th Schedule to the constitution of India, see Appendix